

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 87 Session of  
1991

INTRODUCED BY DEMPSEY, PESCI, JOHNSON, MICHLOVIC, TRELLO,  
GODSHALL, NAILOR, CLARK, PRESTON, CIVERA, SAURMAN, HESS,  
BUSH, HERMAN, FOX, FLICK AND E. Z. TAYLOR, JANUARY 29, 1991

REFERRED TO COMMITTEE ON INSURANCE, JANUARY 29, 1991

AN ACT

1 Amending the act of July 22, 1974 (P.L.589, No.205), entitled  
2 "An act relating to unfair insurance practices; prohibiting  
3 unfair methods of competition and unfair or deceptive acts  
4 and practices; and prescribing remedies and penalties,"  
5 requiring insurers to pay certain claims within forty-five  
6 days of submission of satisfactory proof.

7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 Section 1. Section 5(a)(10) of the act of July 22, 1974  
10 (P.L.589, No.205), known as the Unfair Insurance Practices Act,  
11 is amended to read:

12 Section 5. Unfair Methods of Competition and Unfair or  
13 Deceptive Acts or Practices Defined.--(a) "Unfair methods of  
14 competition" and "unfair or deceptive acts or practices" in the  
15 business of insurance means:

16 \* \* \*

17 (10) Any of the following acts if committed or performed  
18 with such frequency as to indicate a business practice shall  
19 constitute unfair claim settlement or compromise practices:

1 (i) Misrepresenting pertinent facts or policy or contract  
2 provisions relating to coverages at issue.

3 (ii) Failing to acknowledge and act promptly upon written or  
4 oral communications with respect to claims arising under  
5 insurance policies.

6 (iii) Failing to adopt and implement reasonable standards  
7 for the prompt investigation of claims arising under insurance  
8 policies.

9 (iv) Refusing to pay claims without conducting a reasonable  
10 investigation based upon all available information.

11 (v) Failing to affirm or deny coverage of claims within a  
12 reasonable time not to exceed forty-five days after proof of  
13 loss statements have been completed and communicated to the  
14 company or its representative.

15 (vi) Not attempting in good faith to effectuate prompt, fair  
16 and equitable settlements of claims within forty-five days in  
17 which the company's liability under the policy has become  
18 reasonably clear.

19 (vii) Compelling persons to institute litigation to recover  
20 amounts due under an insurance policy by offering substantially  
21 less than the amounts due and ultimately recovered in actions  
22 brought by such persons.

23 (viii) Attempting to settle a claim for less than the amount  
24 to which a reasonable man would have believed he was entitled by  
25 reference to written or printed advertising material  
26 accompanying or made part of an application.

27 (ix) Attempting to settle or compromise claims on the basis  
28 of an application which was altered without notice to or  
29 knowledge or consent of the insured of such alteration at the  
30 time such alteration was made.

1 (x) Making claims payments to insureds or beneficiaries not  
2 accompanied by a statement setting forth the coverage under  
3 which payments are being made.

4 (xi) Making known to insureds or claimants a policy of  
5 appealing from arbitration awards in favor of insureds or  
6 claimants to induce or compel them to accept settlements or  
7 compromises less than the amount awarded in arbitration.

8 (xii) Delaying the investigation or payment of claims by  
9 requiring the insured, claimant or the physician of either to  
10 submit a preliminary claim report and then requiring the  
11 subsequent submission of formal proof of loss forms, both of  
12 which submissions contain substantially the same information.

13 (xiii) Failing to promptly settle claims within forty-five  
14 days, where liability has become reasonably clear, under one  
15 portion of the insurance policy coverage in order to influence  
16 settlements under other portions of the insurance policy  
17 coverage or under other policies of insurance.

18 (xiv) Failing to promptly provide within forty-five days a  
19 reasonable explanation of the basis in the insurance policy in  
20 relation to the facts or applicable law for denial of a claim or  
21 for the offer of a compromise settlement.

22 (xv) Refusing payment of a claim solely on the basis of an  
23 insured's request to do so unless:

24 (A) the insured claims sovereign, eleemosynary, diplomatic,  
25 military service, or other immunity from suit or liability with  
26 respect to such claim;

27 (B) the insured is granted the right under the policy of  
28 insurance to consent to settlement of claims; or

29 (C) the refusal of payment is based upon the insurer's  
30 independent evaluation of the insured's liability based upon all

1 available information.

2 (xvi) Refusing to pay claims within forty-five days after  
3 receipt of a completed proof of loss statement.

4 \* \* \*

5 Section 2. This act shall apply to all claims submitted on  
6 or after the effective date of this act.

7 Section 3. This act shall take effect in 60 days.